

# BUSINESS STUDIES

## Paper 2

2 ½ hours

### Instructions to Candidates

- Write your name, Admission Number and class in the spaces provided above.
- This paper consists of six questions.
- Answer any FIVE questions.
- Write your answers in the answer booklet provided

All questions carry equal marks.

Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.

(i) Candidates should answer the questions in English.

### For Examiner's Use Only

Question	Maximum Score	Candidate's Score
	20	
	20	
	20	
	20	
	20	
<b>Total Score</b>		

### ATTEMPT ANY 5 QUESTIONS

1. (a) Explain five measures that the African continent may use to solve the widespread unemployment cases. (10mks)  
(b) Explain five functions of the stock exchange market. (10mks)
2. (a) Highlight five circumstances under which the wholesaler can be eliminated in the distribution of goods and services. (10mks)  
(b) The following are the assets and liabilities of classic furniture Enterprises as at 1<sup>st</sup> July, 2012.

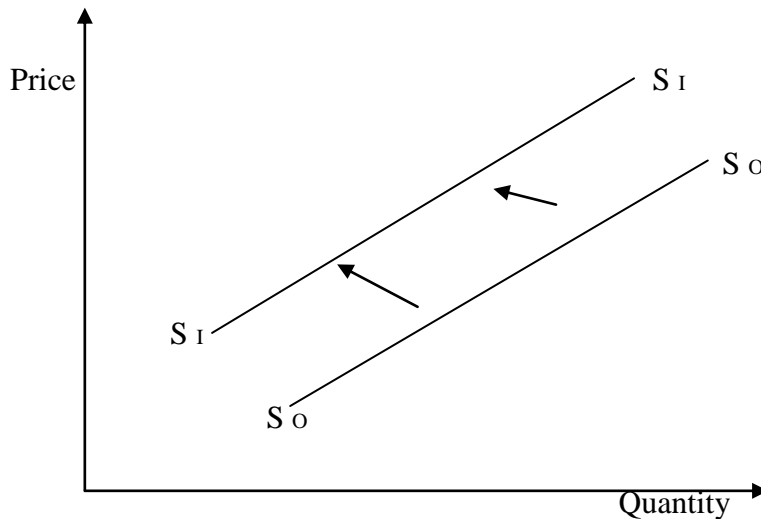
Kshs.	
Furniture for sale	560,000
Office furniture	150,000
Creditor	155,000
Drawing	40,000
Debtor	85,500
Premises	250,000
Cash at Bank	130,000
Net profit	60,000
Cash in hand	5,500
Bank loan	600,000
Prepaid insurance	20,000
Capital	426,000

**Required.**

Prepare the balance sheet of the business as at 1<sup>st</sup> July showing subtotals for:

- (i) Fixed assets
- (ii) Current assets
- (iii) Long term liabilities
- (iv) Current liabilities

3. (a) The following diagram shows a shift in the supply curve. Explain briefly five factors that would cause such a shift. (10mks)



- (b) Explain five characteristics of economic resources. (10mks)

4. (a) The following balances were obtained from the books of Baraka for the period ended 12<sup>th</sup> January 2011

Drawings	5,000
Salaries	2,000
Capital	50,000
Purchases	12,000
Postage	500
Sales	15,000
Computer	10,000
Rent	2,000
Bank	15,000
Cash	18,500

Required

- (i) Prepare a trial Balance of Baraka Traders as at 12<sup>th</sup> January 2011. (12mks)
- (b) Bodaboda services (motor cycles) have become a popular means of transport in many parts of the country. Explain four factors that have led to this trend. (8mks)
- 5(a) Kenya Power and Lighting Company is a monopoly in the provision of electricity in Kenya. Explain five challenges of having such a firm in the economy. (10mks)
- (b) Explain five benefits of indirect production. (10mks)
- 6(a) Explain five factors that should be considered when choosing methods of product promotion. (10mks)
- (b) Explain five importances of National Income statistics. (10mks)